

April 10, 1946

To: Technical Committee of National Advisory Council
From: Sub-Committee on Marketing of International Bank Securities
Subject: Final Report and Recommendations

This Sub-Committee was one of two sub-committees established by the Technical Committee at its meeting of January 3, 1946 to study the problems involved in marketing the bonds of the International Bank.

Members

The active members of the Sub-Committee were:

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| Elting Arnold | - Treasury Department |
| Lewis N. Dembits | - Federal Reserve Board |
| Morris J. Fields | - Department of Commerce |
| Walter C. Louchheim, Jr. (Chairman) | - Securities and Exchange Commission |
| George Luthringer | - State Department |

Studies and Reports

The Sub-Committee has studied, discussed and presented its conclusions on: the status of the direct and guaranteed obligations of the Bank under the Securities Act, the Securities Exchange Act and the Investment Company Act; the possible effect of State Blue Sky Laws upon the marketing of the Bank's bonds; State laws regarding investment by insurance companies, trustees, savings banks, charitable institutions and general corporations; and several problems involving the investment banking industry.

Based upon these studies and discussions, the following reports have been submitted to the Technical Committee by this Sub-Committee:

- (1) Initial Conclusions and Recommendations (NAG Technical Committee Document No. 16, January 22, 1946).
- (2) Recent Developments in Marketing of International Bank Securities (NAC Technical Committee Document No. 21, February 26, 1946).
- (3) Action of N. Y. State Legislature (March 25, 1946).

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established two committees to consider problems dealing with the International Bank; the National Association of Securities Dealers will consider in detail its cooperation with the Bank at its forthcoming board of governors meeting; and the New York Stock Exchange has informally indicated its interest in admitting the Bank's bonds to trading privileges. A discussion with investment men in large commercial banks was also initiated by this Sub-Committee, and subsequently resumed by the Sub-Committee on Investment by Banks.

Recommendations

The placing of a large volume of new and unfamiliar securities such as the Bank will issue is a substantial undertaking. A widespread distribution of the bonds among individual as well as institutional investors will be most desirable. The distribution of the initial issues of the Bank will probably be affected by the prospect that many institutional investors will be precluded from purchasing them. The Sub-Committee renews its recommendations as to the following course of action:

(1) To continue discussions with representatives of investment bankers, or securities brokers and dealers, and of national securities exchanges with a view to preparing for the widest possible distribution of the Bank's bonds among investors.

(2) To initiate an educational program to acquaint the public with the purposes and operations of the International Bank and with the types of securities that it will offer. This step seems particularly important and timely in view of the relative unfamiliarity with the Bank shown by so many of the investment experts in discussions with them.

(3) To continue activities toward the relaxation of state laws to make the Bank's bonds eligible for investment by insurance companies and savings banks at the earliest feasible date.